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Indiana Public Retirement System

Public Employees' Retirement Fund

Actuarial Valuation as of
June 30, 2012



December 20, 2012

Board of Trustees
Indiana Public Retirement System
1 North Capitol, Suite 001
Indianapolis, IN 46204

Re: Certification of the Actuarial Valuations of the Indiana Public Retirement System as of as of June 30, 2012

Dear Board of Trustees:

Actuarial valuations are performed annually for the Indiana Public Retirement System ("INPRS") defined benefit pension plans ("Plans"). The results of the latest actuarial valuations, which were prepared as of June 30, 2012, are presented in individual valuation reports for each fund and were prepared pursuant to the engagement letter between INPRS and PricewaterhouseCoopers LLP ("PwC"), dated June 7, 2010. The reports are intended to provide the Board of Trustees ("Board") with information on the funded status of the Plans, development of the contribution rates, and certain financial statement disclosure information.

Under Indiana statutes, employer contribution rates and amounts, as applicable, are adopted annually for each Plan by the Board. The contributions are actuarially determined based on the Board's funding policy and adopted actuarial assumptions. Contributions determined by the actuarial valuation become effective either twelve or eighteen months after the valuation date, depending on the applicable employer. For example, contribution rates determined by the June 30, 2012 actuarial valuation and adopted by the Board will become effective on either July 1, 2013 or January 1, 2014. If new legislation is enacted between the valuation date and the date the contributions become effective, the Board may adjust the recommended contributions before adopting them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Financing Objectives and Funding Policy

In setting contribution levels, the Board's principal objectives have been:

- To set contributions such that the unfunded actuarial accrued liability ("UAAL") will be amortized over a 30-year period.
- To set contributions such that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that employer contributions be equal to the sum of the employer normal cost (which pays the current year cost of benefits accruing) and an amortization of the UAAL in equal installments.

No membership growth is anticipated in setting the contributions. This is consistent with GASB #25, which prohibits anticipating membership growth in determining the Annual Required Contribution ("ARC").

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The combined funded ratio for all Plans decreased by 4.2% from the preceding year to 79.2%, primarily due to fiscal 2012 investment returns of 0.7% being below the actuarial assumed rate of 7.0%, delayed recognition of prior asset losses from fiscal 2009 in the Actuarial Value of Assets, a decrease in the discount rate from 7.0% to 6.75%, and an update to the mortality table assumption.

Benefit Provisions

The benefit provisions reflected in the valuation reports are those which were in effect at June 30, 2012, as set forth in the related Indiana statutes. None of the Plans had any material changes in benefit provisions since the 2011 valuation; however, a 13th Check was provided to retirees in PERF and EG&C in lieu of a Cost-of-Living Adjustment.



Assets and Member Data

The valuations were based on asset values of the trust funds and member census data as of June 30, 2012. All asset information and member data were provided by INPRS. While certain checks for reasonableness were performed, the data was used unaudited. The accuracy of the results presented in the reports is dependent upon the accuracy and completeness of the underlying asset and census information.

Actuarial Assumptions and Methods

The majority of the actuarial assumptions used in the June 30, 2012 valuations were adopted by the Board pursuant to the Experience Studies completed in September 2011, which reflected the experience period from July 1, 2005 through June 30, 2010, and were first used in the June 30, 2011 valuation. The actuarial assumptions for interest rate and mortality were updated for the June 30, 2012 valuation. The actuarial assumptions and methods are summarized in the Actuarial Assumptions and Methods section of each valuation report. We believe the actuarial assumptions and methods are reasonable for the purposes of the valuation reports and comply with the parameters set forth in Statements No. 25 and No. 27 of the Governmental Accounting Standards Board ("GASB"). Different assumptions and methods may be reasonable for other purposes. As such, the results presented in the valuation reports should only be relied upon for the intended purpose.

Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by INPRS as of June 30, 2012 based on the underlying census data, asset information and selected assumptions and methods.

This report contains the required accounting information to be included in the Comprehensive Annual Financial Report. This information has been prepared in accordance with our understanding of Governmental Accounting Standards No. 25 and No. 27 (as amended by No. 50). This report does not contain accounting information prepared in accordance with Governmental Accounting Standards No. 67 and No. 68, which will become effective for financial statements for fiscal years beginning after June 15, 2013.

To the best of our knowledge this actuarial statement is complete and accurate and has been prepared in accordance with generally accepted actuarial principles and practice and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with our understanding of the requirements of Indiana state law. The undersigned actuaries are members of the Society of Actuaries and other professional organizations, including the American Academy of Actuaries, and meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States relating to pension plans. There is no relationship between the PwC practitioners involved in this engagement and INPRS that may impair our objectivity.

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. This includes penalties that may apply if the transaction that is the subject of this document is found to lack economic substance or fails to satisfy any other similar rule of law. This document has been prepared pursuant to an engagement letter between INPRS and PwC, and is intended solely for the use and benefits of INPRS and not for reliance by any other person.

Respectfully submitted,

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SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT

This report presents the results of the actuarial valuation of the Public Employees' Retirement Fund ("PERF") and has been prepared to present the current funded status of the Plan, contribution requirements for fiscal year 2014 (July 1, 2013 through June 30, 2014 for State members and January 1, 2014 through December 31, 2014 for Political Subdivision members), and certain financial statement disclosure information. The valuation was performed using census data for plan members as of June 30, 2012 provided by INPRS, asset information as of June 30, 2012 provided by INPRS, the actuarial assumptions and methods approved by the Board and summarized in Section V, and the plan provisions effective June 30, 2012 as summarized in Section VI.

Contribution Rates

The State employer contribution rate will increase from 9.7% to 11.2% starting July 1, 2013. This contribution rate is equal to the current year Actuarially Calculated Rate, rounded up to the next tenth of a percent. The actual dollar amount of employer cost will depend on the actual payroll during fiscal year 2014.

The Political Subdivisions employer contribution rate, after aggregating over all participating Political Subdivisions, will increase from 9.7% to 11.0% starting January 1, 2014. The contribution rate for each Political Subdivision is equal to the prior year Actual Rate increased by the lesser of 1.5%, or the amount needed to reach the Composite Rate (11.2% as of the June 30, 2012 valuation). The Composite Rate is the aggregate Actuarially Calculated Rate for all Political Subdivisions, rounded up to the next tenth of a percent. This approach will fully fund the Annual Required Contribution once all Political Subdivisions are contributing the Composite Rate. The actual dollar amount of employer cost will depend on the actual payroll during calendar year 2014.

Employees of the State and participating Political Subdivisions contribute 3% of their compensation to an Annuity Savings Account. Employers may "pick up" the employee contributions. The accumulated balance in each member's Annuity Savings Account can be withdrawn as a lump sum upon termination or can be converted to an annuity and added to the benefit that is funded by the employer contributions upon retirement.

Funded Status

The funded status of PERF is measured by the funded ratio, which is the ratio of the assets available for benefits to a benefit liability measure for PERF. While there are several such measures that could be appropriately used, the benefit liability measure that ties most closely to PERF's funding strategy is the Actuarial Accrued Liability ("AAL").

Using the Actuarial Value of Assets ("AVA"), an asset value that smoothes the market gains and losses over four (4) years, the PERF AAL funded ratio decreased from 80.5% at June 30, 2011 to 76.6% at June 30, 2012. The decrease is primarily due to the decrease in discount rate, updated mortality table and recognition of asset experience.

SECTION I - EXECUTIVE SUMMARY

HIGHLIGHTS OF THE ACTUARY'S REPORT (CONTINUED)

Investment Experience

The assets of PERF are commingled with the assets of other funds administered by INPRS. The overall INPRS return on the commingled funds was 0.7% during fiscal 2012. Based on the value of assets allocated to PERF as of the prior valuation date and contribution and benefit payment activity during the year, the allocation of returns to PERF represent a return of approximately (0.2%) on market value and 2.3% on actuarial value. The return on actuarial value is different due to the smoothing of returns greater or less than expected returns over four years.

Cost-of-Living Adjustment

Cost-of-living increases for retired members have historically been granted on an "ad hoc" basis. No increase in monthly benefits was provided to retired members, disabled members, or beneficiaries at July 1, 2012. Instead, a "13th check" was paid to each member in pay status during September 2012. The amount of the 13th check varied based on the years of creditable service the member had earned prior to retirement.

Changes in Actuarial Assumptions

For the June 30, 2012 valuation, the Board approved the following assumption changes:

- The interest rate assumption was decreased from 7.0% to 6.75%.
- The interest rate on member ASA balances was decreased from 7.0% to 3.0%.
- The mortality table was changed from the 2008 IRS Static Mortality projected five (5) years with Scale AA to the 2013 IRS Static Mortality projected five (5) years with Scale AA.

Changes in Plan Provisions

Other than the 13th check noted above, it is our understanding that there were no changes to the Plan or underlying status that impacted the pension benefits during the fiscal year.

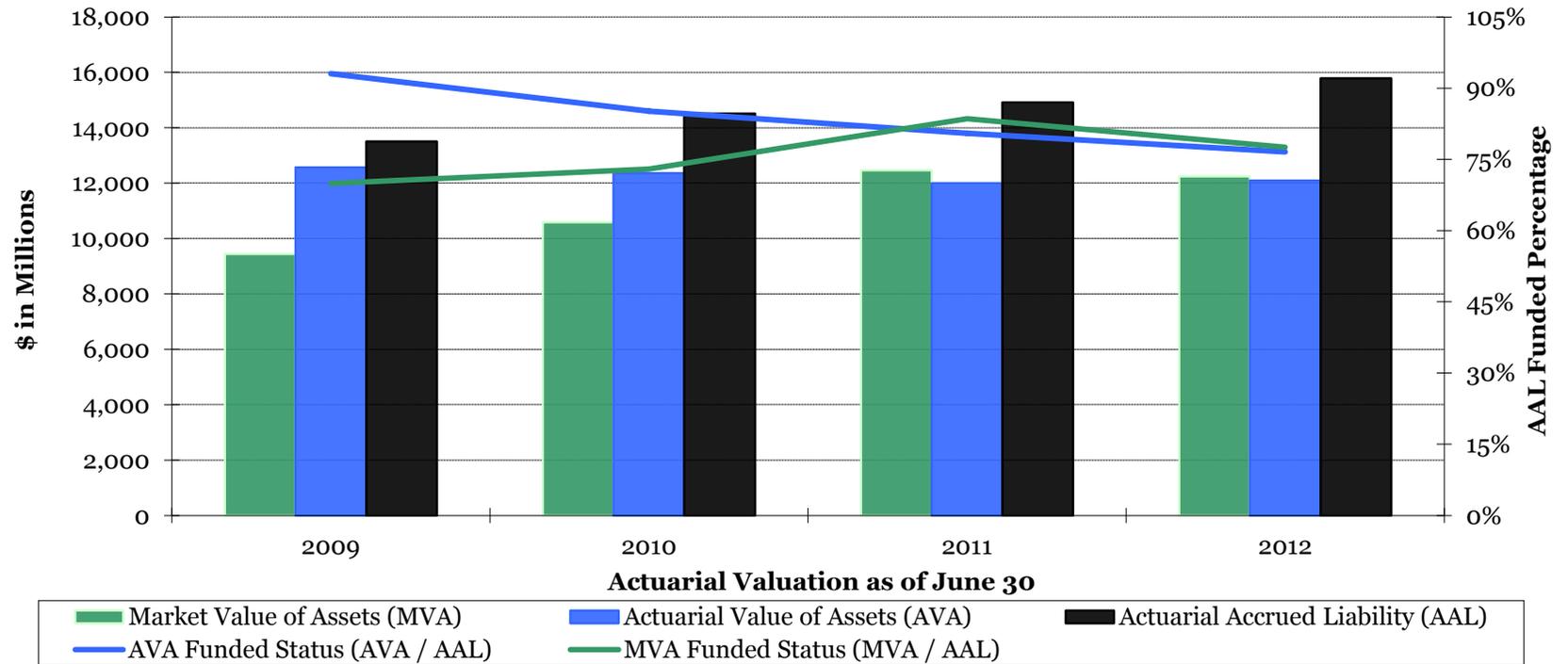
Changes in Actuarial Methods

There have been no changes in the actuarial methods since the June 30, 2011 valuation.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY

Total PERF – 4 Year History of Funded Status ¹



<u>Actuarial Valuation as of June 30:</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actuarial Accrued Liability (AAL)	\$13,506.3	\$14,506.1	\$14,913.1	\$15,784.2
Actuarial Value of Assets (AVA)	12,569.3	12,357.2	12,000.6	12,088.2
Market Value of Assets (MVA)	9,442.3	10,581.3	12,461.4	12,243.8
Unfunded Liability (AAL - AVA)	937.0	2,148.9	2,912.5	3,696.0
AVA Funded Status (AVA / AAL)	93.1%	85.2%	80.5%	76.6%
MVA Funded Status (MVA / AAL)	69.9%	72.9%	83.6%	77.6%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results^{1, 2}

<u>Valuation Date</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Development of Actuarially Calculated Rate				
Normal Cost (Beginning of Year)	\$ 298,159,870	\$ 320,524,189	\$ 253,006,701	\$ 270,973,983
Amortization of Unfunded Actuarial Accrued Liability	<u>72,839,046</u>	<u>163,318,289</u>	<u>222,668,943</u>	<u>278,065,556</u>
Total Contribution Amount	\$ 370,998,916	\$ 483,842,478	\$ 475,675,644	\$ 549,039,539
Actuarially Calculated Rate	7.8%	9.9%	9.9%	11.2%
<u>Fiscal / Calendar Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Approved Funding Rate ³	7.6%	8.7%	9.7%	11.1%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² The contribution rates shown were developed on a funding basis only and do not reflect accounting requirements.

³ The Approved Funding Rate shown is the aggregate rate for the State and Political Subdivisions. The funding rates determined by the June 30, 2012 valuation become effective July 1, 2013 for the State rate and January 1, 2014 for the Political Subdivisions' rates. Approved Funding Rates before June 30, 2011 were based on smoothing rules that were repealed by the Board in December 2011.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

State – Summary of Valuation Results ^{1,2}

<u>Valuation Date</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Development of Actuarially Calculated Rate				
Normal Cost (Beginning of Year)	\$ 103,491,300	\$ 110,142,867	\$ 73,614,164	\$ 78,888,474
Amortization of Unfunded Actuarial Accrued Liability	24,800,374	66,147,093	84,263,994	105,132,459
Total Contribution Amount	\$ 128,291,674	\$ 176,289,960	\$ 157,878,158	\$ 184,020,933
Actuarially Calculated Rate	7.6%	10.2%	9.6%	11.2%
<u>Fiscal Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Approved Funding Rate ³	7.0%	8.6%	9.7%	11.2%

Political Subdivisions – Summary of Valuation Results ^{1,2}

<u>Valuation Date</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Development of Actuarially Calculated Rate				
Normal Cost (Beginning of Year)	\$ 194,668,570	\$ 210,381,322	\$ 179,392,537	\$ 192,085,509
Amortization of Unfunded Actuarial Accrued Liability	48,038,672	97,171,196	138,404,949	172,933,097
Total Contribution Amount	\$ 242,707,242	\$ 307,552,518	\$ 317,797,486	\$ 365,018,606
Actuarially Calculated Rate	7.9%	9.7%	10.0%	11.2%
<u>Calendar Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Approved Funding Rate ³	7.9%	8.8%	9.7%	11.0%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² The contribution rates shown were developed on a funding basis only and do not reflect accounting requirements.

³ The Approved Funding Rate shown is the aggregate rate for Political Subdivisions. The funding rates determined by the June 30, 2012 valuation become effective July 1, 2013 for the State rate and January 1, 2014 for the Political Subdivisions' rates. Approved Funding Rates before June 30, 2011 were based on smoothing rules that were repealed by the Board in December 2011.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results (Continued) ¹

	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Census Information				
Active				
Number				
State	46,749	48,220	45,912	45,156
Political Subdivisions	101,043	101,657	102,021	100,363
Total	147,792	149,877	147,933	145,519
Average Age	47.3	47.5	47.6	47.6
Average Years of Service	10.9	11.2	11.4	11.5
Covered Payroll of Actives				
State	1,749,780,803	1,730,479,696	1,641,685,770	1,648,023,022
Political Subdivisions	3,181,642,137	3,165,532,884	3,177,087,910	3,256,029,392
Total	\$ 4,931,422,940	\$ 4,896,012,580	\$ 4,818,773,680	\$ 4,904,052,414
Inactive - Vested				
Number	10,670	14,759	20,933	21,423
Average Age		53.9	52.7	52.7
Average Years of Service		15.1	11.8	11.9
Inactive - Non-Vested				
Number		88,234	71,806	47,651
Retiree/Beneficiary/Disabled				
Number	65,099	67,166	70,380	72,992
Average Age		72.6	72.5	72.5
Annual Benefits Payable				
Pension		422,825,882	455,230,274	483,551,145
ASA Annuities		75,373,430	84,516,826	93,126,384
Total	\$ 477,552,507	\$ 498,199,312	\$ 539,747,100	\$ 576,677,529

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Total PERF – Summary of Valuation Results (Continued) ¹

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 2,669,318,240	\$ 2,780,570,388	\$ 2,805,023,137	\$ 2,749,448,762
ASA Annuities - Retiree/Beneficiary/Disabled		710,683,223	801,369,029	908,664,881
Pension - Retiree/Beneficiary/Disabled	4,611,256,619	4,220,908,907	4,569,417,231	4,987,114,328
Pension - Active and Inactive				
State	2,443,039,325	2,678,030,588	2,538,861,413	2,660,671,538
Political Subdivisions	3,782,666,167	4,115,859,095	4,198,476,483	4,478,340,402
Total	\$ 6,225,705,492	\$ 6,793,889,683	\$ 6,737,337,896	\$ 7,139,011,940
Total	\$ 13,506,280,351	\$ 14,506,052,201	\$ 14,913,147,293	\$ 15,784,239,911
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 2,669,318,240	\$ 2,780,570,388	\$ 2,805,023,137	\$ 2,749,448,762
ASA Annuities - Retiree/Beneficiary/Disabled		710,683,223	801,369,029	908,664,881
Pension - Retiree/Beneficiary/Disabled	4,611,256,619	4,220,908,907	4,569,417,231	4,987,114,328
Pension - Active and Inactive	5,288,761,052	4,645,036,496	3,824,776,913	3,442,996,687
Total	\$ 12,569,335,911	\$ 12,357,199,014	\$ 12,000,586,310	\$ 12,088,224,658
Market Value of Assets (MVA)				
ASA Account Balance	\$ 2,669,318,240	\$ 2,780,570,388	\$ 2,805,023,137	\$ 2,749,448,762
ASA Annuities - Retiree/Beneficiary/Disabled		710,683,223	801,369,029	908,664,881
Pension - Retiree/Beneficiary/Disabled	4,611,256,619	4,220,908,907	4,569,417,231	4,987,114,328
Pension - Active and Inactive	2,161,760,681	2,869,156,895	4,285,546,512	3,598,525,143
Total	\$ 9,442,335,540	\$ 10,581,319,413	\$ 12,461,355,909	\$ 12,243,753,114
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled		-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	936,944,440	2,148,853,187	2,912,560,983	3,696,015,253
Total	\$ 936,944,440	\$ 2,148,853,187	\$ 2,912,560,983	\$ 3,696,015,253
Funded Percentage: AVA / AAL				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled		100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	85.0%	68.4%	56.8%	48.2%
Total	93.1%	85.2%	80.5%	76.6%
Summary of Assumptions				
Valuation Interest Rate	7.25%	7.0%	7.0%	6.75%
Salary Scale	4.0%	4.0%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.5%	1.0%	1.0%	1.0%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

State – Summary of Valuation Results (Continued) ¹

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 889,772,747	\$ 926,856,796	\$ 935,007,712	\$ 916,482,921
ASA Annuities - Retiree/Beneficiary/Disabled		236,894,408	267,123,010	302,888,294
Pension - Retiree/Beneficiary/Disabled	1,537,085,539	1,406,969,635	1,523,139,077	1,662,371,442
Pension - Active and Inactive	2,443,039,325	2,678,030,588	2,538,861,413	2,660,671,538
Total	\$ 4,869,897,611	\$ 5,248,751,427	\$ 5,264,131,212	\$ 5,542,414,195
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 889,772,747	\$ 926,856,796	\$ 935,007,712	\$ 916,482,921
ASA Annuities - Retiree/Beneficiary/Disabled		236,894,408	267,123,010	302,888,294
Pension - Retiree/Beneficiary/Disabled	1,537,085,539	1,406,969,635	1,523,139,077	1,662,371,442
Pension - Active and Inactive	2,121,550,162	1,803,664,021	1,433,516,270	1,259,781,511
Total	\$ 4,548,408,448	\$ 4,374,384,859	\$ 4,158,786,069	\$ 4,141,524,168
Market Value of Assets (MVA)				
ASA Account Balance	\$ 889,772,747	\$ 926,856,796	\$ 935,007,712	\$ 916,482,921
ASA Annuities - Retiree/Beneficiary/Disabled		236,894,408	267,123,010	302,888,294
Pension - Retiree/Beneficiary/Disabled	1,537,085,539	1,406,969,635	1,523,139,077	1,662,371,442
Pension - Active and Inactive	867,175,446	1,114,091,367	1,606,211,496	1,316,688,878
Total	\$ 3,294,033,732	\$ 3,684,812,206	\$ 4,331,481,295	\$ 4,198,431,535
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled		-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	321,489,163	874,366,568	1,105,345,143	1,400,890,027
Total	\$ 321,489,163	\$ 874,366,568	\$ 1,105,345,143	\$ 1,400,890,027
Funded Percentage: AVA / AAL				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled		100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	86.8%	67.4%	56.5%	47.3%
Total	93.4%	83.3%	79.0%	74.7%
Summary of Assumptions				
Valuation Interest Rate	7.25%	7.0%	7.0%	6.75%
Salary Scale	4.0%	4.0%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.5%	1.0%	1.0%	1.0%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION I - EXECUTIVE SUMMARY

HISTORICAL SUMMARY (CONTINUED)

Political Subdivisions – Summary of Valuation Results (Continued) ¹

	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Actuarial Accrued Liability (AAL)				
ASA Account Balance	\$ 1,779,545,493	\$ 1,853,713,592	\$ 1,870,015,425	\$ 1,832,965,841
ASA Annuities - Retiree/Beneficiary/Disabled		473,788,815	534,246,019	605,776,587
Pension - Retiree/Beneficiary/Disabled	3,074,171,080	2,813,939,272	3,046,278,154	3,324,742,886
Pension - Active and Inactive	<u>3,782,666,167</u>	<u>4,115,859,095</u>	<u>4,198,476,483</u>	<u>4,478,340,402</u>
Total	\$ 8,636,382,740	\$ 9,257,300,774	\$ 9,649,016,081	\$ 10,241,825,716
Actuarial Value of Assets (AVA)				
ASA Account Balance	\$ 1,779,545,493	\$ 1,853,713,592	\$ 1,870,015,425	\$ 1,832,965,841
ASA Annuities - Retiree/Beneficiary/Disabled		473,788,815	534,246,019	605,776,587
Pension - Retiree/Beneficiary/Disabled	3,074,171,080	2,813,939,272	3,046,278,154	3,324,742,886
Pension - Active and Inactive	<u>3,167,210,890</u>	<u>2,841,372,476</u>	<u>2,391,260,643</u>	<u>2,183,215,176</u>
Total	\$ 8,020,927,463	\$ 7,982,814,155	\$ 7,841,800,241	\$ 7,946,700,490
Market Value of Assets (MVA)				
ASA Account Balance	\$ 1,779,545,493	\$ 1,853,713,592	\$ 1,870,015,425	\$ 1,832,965,841
ASA Annuities - Retiree/Beneficiary/Disabled		473,788,815	534,246,019	605,776,587
Pension - Retiree/Beneficiary/Disabled	3,074,171,080	2,813,939,272	3,046,278,154	3,324,742,886
Pension - Active and Inactive	<u>1,294,585,235</u>	<u>1,755,065,528</u>	<u>2,679,335,016</u>	<u>2,281,836,265</u>
Total	\$ 6,148,301,808	\$ 6,896,507,207	\$ 8,129,874,614	\$ 8,045,321,579
Unfunded Actuarial Accrued Liability: AAL - AVA				
ASA Account Balance	\$ -	\$ -	\$ -	\$ -
ASA Annuities - Retiree/Beneficiary/Disabled		-	-	-
Pension - Retiree/Beneficiary/Disabled	-	-	-	-
Pension - Active and Inactive	<u>615,455,277</u>	<u>1,274,486,619</u>	<u>1,807,215,840</u>	<u>2,295,125,226</u>
Total	\$ 615,455,277	\$ 1,274,486,619	\$ 1,807,215,840	\$ 2,295,125,226
Funded Percentage: AVA / AAL				
ASA Account Balance	100.0%	100.0%	100.0%	100.0%
ASA Annuities - Retiree/Beneficiary/Disabled		100.0%	100.0%	100.0%
Pension - Retiree/Beneficiary/Disabled	100.0%	100.0%	100.0%	100.0%
Pension - Active and Inactive	<u>83.7%</u>	<u>69.0%</u>	<u>57.0%</u>	<u>48.8%</u>
Total	92.9%	86.2%	81.3%	77.6%
Summary of Assumptions				
Valuation Interest Rate	7.25%	7.0%	7.0%	6.75%
Salary Scale	4.0%	4.0%	3.25% - 4.5%	3.25% - 4.5%
Cost-of-Living Assumption	1.5%	1.0%	1.0%	1.0%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION II - FUNDING

FUNDING

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SECTION II - FUNDING

A. Development of Funded Status

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
1. Actuarial Accrued Liability		
a. Annuity Savings Account	\$ 2,805,023,137	\$ 2,749,448,762
b. ASA Annuities	801,369,029	908,664,881
c. Retirees, Beneficiaries, and Disableds	4,569,417,231	4,987,114,328
d. Actives and Inactives	<u>6,737,337,896</u>	<u>7,139,011,940</u>
e. Total: (1)(a) + (1)(b) + (1)(c) + (1)(d)	\$ 14,913,147,293	\$ 15,784,239,911
2. Actuarial Value of Assets		
a. Annuity Savings Account	\$ 2,805,023,137	\$ 2,749,448,762
b. ASA Annuities	801,369,029	908,664,881
c. Retirees, Beneficiaries, and Disableds	4,569,417,231	4,987,114,328
d. Actives and Inactives	<u>3,824,776,913</u>	<u>3,442,996,687</u>
e. Total: (2)(a) + (2)(b) + (2)(c) + (2)(d)	\$ 12,000,586,310	\$ 12,088,224,658
3. Unfunded Actuarial Accrued Liability		
a. Annuity Savings Account: (1)(a) - (2)(a)	\$ -	\$ -
b. ASA Annuities: (1)(b) - (2)(b)	-	-
c. Retirees, Beneficiaries, and Disableds: (1)(c) - (2)(c)	-	-
d. Actives and Inactives: (1)(d) - (2)(d)	<u>2,912,560,983</u>	<u>3,696,015,253</u>
e. Total: (1)(e) - (2)(e)	\$ 2,912,560,983	\$ 3,696,015,253
4. Funded Status		
a. Annuity Savings Account: (2)(a) / (1)(a)	100.0%	100.0%
b. ASA Annuities: (2)(b) / (1)(b)	100.0%	100.0%
c. Retirees, Beneficiaries, and Disableds: (2)(c) / (1)(c)	100.0%	100.0%
d. Actives and Inactives: (2)(d) / (1)(d)	<u>56.8%</u>	<u>48.2%</u>
e. Total: (2)(e) / (1)(e)	80.5%	76.6%

SECTION II - FUNDING

B. Unfunded Actuarial Accrued Liability Reconciliation

	June 30, 2011	June 30, 2012
1. Unfunded Actuarial Accrued Liability, Prior Year	\$ 2,148,853,187	\$ 2,912,560,983
2. Unfunded Actuarial Accrued Liability (Gain) / Loss		
a. Actuarial Value of Assets Experience	\$ 1,000,631,406	\$ 486,424,398
b. Actuarial Accrued Liability Experience	82,616,614	(87,830,844)
c. Additional Liability Due to Cost-of-living Adjustments	-	(14,135,011) ¹
d. Additional Liability Due to Changes in Actuarial Assumptions	(295,209,380)	433,372,227 ²
e. Additional Liability Due to Changes in Plan Provisions	-	-
f. Total New Amortization Bases:	\$ 788,038,640	\$ 817,830,770
(2)(a) + (2)(b) + (2)(c) + 2(d) + (2)(e)		
g. Reduction in Existing Bases Due to Prior Year Amortization, Net of Interest	(24,330,844)	(34,376,500)
h. Change in Unfunded Actuarial Accrued Liability:	\$ 763,707,796	\$ 783,454,270
(2)(f) + (2)(g)		
3. Unfunded Actuarial Accrued Liability, Current Year: (1) + (2)(h)	\$ 2,912,560,983	\$ 3,696,015,253

¹ Retired members will be provided a 13th check by October 1, 2012 rather than a 1.0% COLA on January 1, 2013.

² Assumption changes include the change in discount rate from 7.0% to 6.75%, change in the interest rate on member ASA balances from 7.0% to 3.0%, and change in mortality table from the 2008 IRS Static Mortality projected five (5) years with Scale AA to the 2013 IRS Static Mortality projected five (5) years with Scale AA.

SECTION II - FUNDING

C. Actuarial Accrued Liability Reconciliation

1. June 30, 2011 Actuarial Accrued Liability	\$ 14,913,147,293	
2. Normal Cost	253,006,701	
3. Actual Benefit Payments	748,745,154	
4. Interest of 7.0% on (1) + (2) - (3)/2	<u>1,035,424,699</u>	
5. Expected June 30, 2012 Actuarial Accrued Liability: (1) + (2) - (3) + (4)	\$ 15,452,833,539	
	<u>Dollar Change</u>	<u>Percent Change</u>
	<u>in Liability</u>	<u>in Liability</u>
6. (Gain)/Loss Components		
a. Census	\$ (87,830,844)	(0.6%)
b. Cost-of-Living Adjustment ¹	(14,135,011)	(0.1%)
c. Assumption Changes ²	<u>433,372,227</u>	<u>2.8%</u>
d. Total: (6)(a) + (6)(b) + (6)(c)	\$ 331,406,372	2.1%
7. Actual June 30, 2012 Actuarial Accrued Liability: (5) + (6)(d)	\$ 15,784,239,911	

¹ Retired members will be provided a 13th check by October 1, 2012 rather than a 1.0% COLA on January 1, 2013.

² Assumption changes include the change in discount rate from 7.0% to 6.75%, change in the interest rate on member ASA balances from 7.0% to 3.0%, and change in mortality table from the 2008 IRS Static Mortality projected five (5) years with Scale AA to the 2013 IRS Static Mortality projected five (5) years with Scale AA.

SECTION II - FUNDING

D. Reconciliation of Market Value of Assets

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
1. Market Value of Assets, Prior June 30	\$ 10,581,319,413	\$ 12,461,355,909
2. Receipts		
a. Employer Contributions	\$ 342,778,706	\$ 397,842,387
b. Member Contributions	156,027,588	158,695,936
c. Investment Income and Dividends Net of Fees	2,105,673,340	(7,433,198)
d. Security Lending Income Net of Fees	6,417,025	3,481,283
e. Transfers In	5,299,445	3,341,006
f. Miscellaneous Receipts	18,134	8,009
g. Total Receipts: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f)	<u>\$ 2,616,214,238</u>	<u>\$ 555,935,423</u>
3. Disbursements		
a. Benefits Paid During the Year	\$ 638,460,412	\$ 669,181,018
b. Refund of Contributions and Interest	65,178,251	69,880,200
c. Administrative and Project Expenses	22,461,145	24,793,064
d. Transfers Out	10,077,934	9,683,936
e. Miscellaneous Disbursements	-	-
f. Total Disbursements: (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e)	<u>\$ 736,177,742</u>	<u>\$ 773,538,218</u>
4. Market Value of Assets, Current June 30: (1) + (2)(g) - (3)(f)	\$ 12,461,355,909	\$ 12,243,753,114
5. Market Value of Assets Approximate Annual Rate of Investment Return	19.9%	(0.2%)

SECTION II - FUNDING

E. Reconciliation of Actuarial Value of Assets

1.	Market Value of Assets, June 30, 2011		\$	12,461,355,909
2.	Market Value of Assets, June 30, 2012			12,243,753,114
3.	Expected Earnings/Expenses			
a.	Expected Investment Earnings at 7.0% on June 30, 2011 Market Value			872,294,914
b.	Receipts and Expected Investment Earnings at 7.0%			579,483,395
c.	Disbursements and Expected Investment Expenses at 7.0%			774,951,234
4.	Expected Assets, June 30, 2012: (1) + (3)(a) + (3)(b) - (3)(c)		\$	13,138,182,984
5.	2011-2012 Gain/(Loss): (2) - (4)			(894,429,870)
6.	Smoothing of Gain/(Loss)			
	<u>Year</u>	<u>Gain/(Loss)</u>	<u>% Unrecognized</u>	
a.	2011-2012	\$ (894,429,870)	75%	(670,822,403)
b.	2010-2011	\$ 1,356,272,606	50%	678,136,303
c.	2009-2010	\$ 592,858,223	25%	148,214,556
7.	Preliminary Actuarial Value of Assets, June 30, 2012: (2) - (6)(a) - (6)(b) - (6)(c)		\$	12,088,224,658
8.	Corridor			
a.	120% of Market Value			14,692,503,737
b.	80% of Market Value			9,795,002,491
9.	Actuarial Value of Assets, June 30, 2012		\$	12,088,224,658
10.	Actuarial Value of Assets as a Percent of Market Value: (9) / (2)			98.7%
11.	Actuarial Value of Assets Approximate Annual Rate of Investment Return			2.3%

SECTION II - FUNDING

F. Allocation of Assets

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
1. Total Assets Available for Benefit		
a. Market Value of Assets	\$ 12,461,355,909	\$ 12,243,753,114
b. Actuarial Value of Assets	12,000,586,310	12,088,224,658
2. Annuity Savings Accounts	2,805,023,137	2,749,448,762
3. Assets for Retirees, Beneficiaries, and Disabled Members, including ASA Annuities		
a. Retirees, Beneficiaries, and Disabled	\$ 4,569,417,231	\$ 4,987,114,328
b. ASA Annuities	801,369,029	908,664,881
c. Total	\$ 5,370,786,260	\$ 5,895,779,209
4. Total Non-Retired Assets		
a. Market Value of Assets: (1)(a) - (2) - (3)(c)	\$ 4,285,546,512	\$ 3,598,525,143
b. Actuarial Value of Assets: (1)(b) - (2) - (3)(c)	\$ 3,824,776,913	\$ 3,442,996,687
5. Total Ledger Assets	\$ 4,605,663,347	\$ 4,102,924,848
a. State Amount	\$ 1,726,190,439	\$ 1,501,247,122
b. State Percent	37.5%	36.6%
c. Political Subdivisions Amount	\$ 2,879,472,908	\$ 2,601,677,726
d. Political Subdivisions Percent	62.5%	63.4%
6. State Allocation		
a. Market Value of Assets: (4)(a) x (5)(b)	\$ 1,606,211,496	\$ 1,316,688,878
b. Actuarial Value of Assets: (4)(b) x (5)(b)	\$ 1,433,516,270	\$ 1,259,781,511
7. Political Subdivisions Allocation		
a. Market Value of Assets: (4)(a) x (5)(d)	\$ 2,679,335,016	\$ 2,281,836,265
b. Actuarial Value of Assets: (4)(b) x (5)(d)	\$ 2,391,260,643	\$ 2,183,215,176

SECTION II - FUNDING

G. State – Contribution Rate

	June 30, 2011	June 30, 2012
Development of Annual Required Contribution:		
1. Current Payroll	\$ 1,641,685,770	\$ 1,648,023,022
2. Normal Cost (Beginning of Year)		
a. Amount	\$ 73,614,164	\$ 78,888,474
b. Percentage of Payroll	4.49%	4.79%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations		
a. Amount	\$ 84,263,994	\$ 105,132,459
b. Percentage of Payroll	5.13%	6.38%
4. Annual Required Contribution Rate (Actuarially Calculated Rate, Before Smoothing): (2)(b) + (3)(b)	9.62%	11.17%
5. Estimated Annual Required Contribution Amount		
a. Fiscal Year Beginning	July 1, 2012	July 1, 2013
b. Anticipated Payroll: (1) x [(1 + 4.0%)]	\$ 1,707,353,201	\$ 1,713,943,943
c. Amount: (4) x (5)(b) ¹	\$ 164,247,378	\$ 191,447,538
Approved Funding Rate: ²	9.70%	11.20%

¹ Since the State contribution rate becomes effective one year after the valuation date, the Annual Required Contribution Amount is estimated by assuming payroll will increase 4.0% per year and then applying the Annual Required Contribution Rate computed at the valuation date.

² The Approved Funding Rate is based on Annual Required Contribution rate, rounded up to the next tenth of a percent.

SECTION II - FUNDING

H. Political Subdivisions – Aggregate Contribution Rate

	June 30, 2011	June 30, 2012
Development of Annual Required Contribution:		
1. Current Payroll	\$ 3,177,087,910	\$ 3,256,029,392
2. Normal Cost (Beginning of Year)		
a. Amount	\$ 179,392,537	\$ 192,085,509
b. Percentage of Payroll	5.64%	5.90%
3. Unfunded Actuarial Accrued Liability (UAAL) Annual Amortizations		
a. Amount	\$ 138,404,949	\$ 172,933,097
b. Percentage of Payroll	4.36%	5.31%
4. Aggregate Annual Required Contribution Rate (Actuarially Calculated Rate, Before Smoothing):	10.00%	11.21%
5. Estimated Annual Required Contribution Amount		
a. Fiscal Year Beginning	January 1, 2013	January 1, 2014
b. Anticipated Payroll: (1) x [(1 + 4.0%)] ^{1.5}	\$ 3,369,606,916	\$ 3,453,331,941
c. Amount: (4) x (5)(b) ¹	\$ 336,960,692	\$ 387,118,511
Approved Funding Rate:²	9.73%	11.03%

¹ Since the Political Subdivision contribution rates becomes effective one and a half years after the valuation date, the Annual Required Contribution Amount is estimated by assuming payroll will increase 4.0% per year and then applying the Aggregate Annual Required Contribution Rate computed at the valuation date.

² At the December 16, 2011 meeting, the Board adopted a policy to phase in a single contribution rate for all participating political subdivisions, effective with the June 30, 2011 valuation. The Approved Funding Rate for each political subdivision was set equal to the prior year Actual Rate, plus 1.50%, subject to a maximum rate of 11.2% (i.e. the "composite" rate).

SECTION II - FUNDING

Unfunded Actuarial Accrued Liability Amortization Schedule ¹

I. State

	<u>Date Base Established</u>	<u>Reason</u>	<u>Remaining Unfunded</u>	<u>Remaining Period</u>	<u>Amortization Amount</u>
1.	6/30/2008	Fresh Start	\$ 42,315,297	26	\$ 3,274,972
2.	6/30/2009	Actuarial Experience	268,257,730	27	20,471,745
3.	6/30/2010	Actuarial Experience and Changes in Actuarial Assumptions	543,980,061	28	40,977,084
4.	6/30/2011	Actuarial Experience and Changes in Actuarial Assumptions	238,003,741	29	17,714,135
5.	6/30/2012	Actuarial Experience and Changes in Actuarial Assumptions	<u>308,333,198</u>	30	<u>22,694,523</u>
	Total		\$ 1,400,890,027		\$ 105,132,459

J. Political Subdivisions

	<u>Date Base Established</u>	<u>Reason</u>	<u>Remaining Unfunded</u>	<u>Remaining Period</u>	<u>Amortization Amount</u>
1.	6/30/2006	Fresh Start	\$ 215,044,910	24	\$ 17,180,318
2.	6/30/2007	Actuarial Experience and Changes in Actuarial Assumptions	4,311,715	25	338,826
3.	6/30/2008	Actuarial Experience	44,717,228	26	3,460,869
4.	6/30/2009	Actuarial Experience	328,522,232	27	25,070,753
5.	6/30/2010	Actuarial Experience and Changes in Actuarial Assumptions	651,339,165	28	49,064,261
6.	6/30/2011	Actuarial Experience and Changes in Actuarial Assumptions	541,692,404	29	40,317,066
7.	6/30/2012	Actuarial Experience and Changes in Actuarial Assumptions	<u>509,497,572</u>	30	<u>37,501,004</u>
	Total		\$ 2,295,125,226		\$ 172,933,097

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION II - FUNDING

K. History of Employer Contribution Rates^{1, 2}

1.	2.		3.		4.
Valuation Date	State		Political Subdivisions (Aggregate)		Weighted Average
Valuation Date	Effective Date	Contribution Rate	Effective Date	Contribution Rate	Weighted Average
June 30, 2001	July 1, 2002	5.2%	January 1, 2003	5.0%	5.1%
June 30, 2002	July 1, 2003	5.6%	January 1, 2004	6.2%	5.9%
June 30, 2003	July 1, 2004	3.8%	January 1, 2005	4.7%	4.4%
June 30, 2004	July 1, 2005	4.5%	January 1, 2006	5.3%	5.0%
June 30, 2005	July 1, 2006	5.5%	January 1, 2007	6.3%	6.0%
June 30, 2006	July 1, 2007	6.3%	January 1, 2008	6.9%	6.7%
June 30, 2007	July 1, 2008	6.3%	January 1, 2009	6.9%	6.6%
June 30, 2008	July 1, 2009	6.5%	January 1, 2010	7.1%	6.8%
June 30, 2009	July 1, 2010	7.0%	January 1, 2011	7.9%	7.6%
June 30, 2010	July 1, 2011	8.6%	January 1, 2012	8.8%	8.7%
June 30, 2011	July 1, 2012	9.7%	January 1, 2013	9.7%	9.7%
June 30 2012	July 1, 2013	11.2%	January 1, 2014	11.0%	11.1%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² Prior to the June 30, 2011 valuation date, rates shown reflect application of the contribution rate smoothing rules.

SECTION II - FUNDING

L. Approximate Investment Return for Year Ending June 30, 2012

	<u>Market Value of Assets</u>	<u>Actuarial Value of Assets</u>
1. Balance, beginning of year	\$ 12,461,355,909	\$ 12,000,586,310
2. Balance, end of year	12,243,753,114	12,088,224,658
3. Total increase: (2) - (1)	(217,602,795)	87,638,348
4. Contributions and Transfers In	559,887,338	559,887,338
5. Benefit payments and Transfers Out	748,745,154	748,745,154
6. Net additions: (4) - (5)	(188,857,816)	(188,857,816)
7. Net investment increase: (3) - (6)	(28,744,979)	276,496,164
8. Average assets: [(1) + (2) - (7)] / 2	12,366,927,001	11,906,157,402
9. Approximate rate of return: (7) / (8) ¹	(0.2%)	2.3%

M. Historical Investment Experience

1. <u>Year Ending June 30</u>	2. <u>Approximate Annual Rate of Investment Return</u>		3.	4. <u>Actuarial Assumed Interest Rate</u>
	<u>Market Basis</u>	<u>Actuarial Basis</u>		
2001	(2.1%)	5.8%		7.25%
2002	(4.9%)	3.1%		7.25%
2003	3.5%	4.2%		7.25%
2004	16.2%	6.3%		7.25%
2005	9.2%	7.0%		7.25%
2006	10.4%	7.9%		7.25%
2007	17.7%	10.4%		7.25%
2008	(8.3%)	5.3%		7.25%
2009	(21.1%)	(0.9%)		7.25%
2010	13.5%	(0.7%)		7.25%
2011	19.9%	(1.2%)		7.0%
2012	(0.2%)	2.3%		7.0%

¹ Net of expenses.

SECTION II - FUNDING

N. Interest Rate Sensitivity

The investment return assumption (discount rate), as required by GASB, should be based on an estimated long-term investment yield for the plan, with consideration given to the nature and mix of current and expected plan investments. Management and the Board continually monitor the investment rate of return assumption and the Board formally reviews the assumption and makes changes as appropriate. The Board changed the assumption for the June 30, 2012 valuation from 7.0% to 6.75%.

To illustrate the importance of the investment rate of return, which is used to discount the actuarial liabilities of the Plan, the funded status and ARC Rate (for the fiscal year beginning July 1, 2013 for State and January 1, 2014 for Political Subdivisions) are shown below at 6.75% (the current assumption), 6.0% (a three-fourths of a percent decrease), 6.5% (a one-fourth of a percent decrease), 7.5% (a three-fourths of a percent increase), and 8.0% (a one and one-fourth of a percent increase).

	0.75% Decrease: (6.0%)	0.25% Decrease: (6.5%)	Current Assumption: (6.75%)	0.75% Increase: (7.5%)	1.25% Increase: (8.0%)
<u>Funded Status</u>					
Actuarial Accrued Liability	17,032,412,879	16,182,000,738	15,784,239,911	14,690,000,331	14,035,035,928
Actuarial Value of Assets	<u>12,088,224,658</u>	<u>12,088,224,658</u>	<u>12,088,224,658</u>	<u>12,088,224,658</u>	<u>12,088,224,658</u>
Unfunded Actuarial Accrued Liability	\$4,944,188,221	\$4,093,776,080	\$3,696,015,253	\$2,601,775,673	\$1,946,811,270
Funded Ratio	71.0%	74.7%	76.6%	82.3%	86.1%
<u>Annual Required Contribution Rate</u>					
Normal Cost Percentage	6.70%	5.89%	5.53%	4.57%	4.04%
UAAL Amortization Percentage	<u>7.04%</u>	<u>6.13%</u>	<u>5.67%</u>	<u>4.29%</u>	<u>3.38%</u>
Annual Required Contribution Percentage	13.74%	12.02%	11.20%	8.87%	7.42%

SECTION III - ACCOUNTING

ACCOUNTING

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SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27

A. Assumptions and Methods Under GASB #25 and #27

Under the Governmental Accounting Standards Board (GASB) Statements No. 25 and No. 27, as amended by GASB No. 50, certain information about the plan is required to be disclosed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Amortization Method	Level Dollar
Amortization Period	30 Years, Closed
Actuarial Value of Assets	4-Year Smoothed Market Value with 20% Corridor
Actuarial Assumptions:	
Investment Rate of Return	6.75%
Future Salary Increases	3.25% - 4.5% (includes 3.0% wage inflation)
Cost-of-Living Increases	1.0% compounded annually on employer funded pension

B. Membership Data

The plan consisted of the following membership as of June 30, 2012, the date of the latest actuarial valuation:

Retired members, beneficiaries and disabled members receiving benefits:	72,992
Terminated vested plan members entitled to but not yet receiving benefits:	21,423
Terminated non-vested plan members entitled to a refund of ASA balance:	47,651
Active Plan Members:	<u>145,519</u>
Total membership:	287,585

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

C. Total PERF – Statement of Fiduciary Net Position

1. Assets		
a. Cash	\$	11,501,124
b. Securities Lending Collateral		427,226,320
c. Receivables		
i. Contributions Receivable	\$	103,267,801
ii. Miscellaneous Receivables		(409,923)
iii. Investments Receivable		-
iv. Interest and Dividends		-
v. Due From Other Funds		4,767,546
vi. Total Receivables	\$	107,625,424
d. Total Investments		12,126,139,796
e. Net Capital Assets		9,068,654
f. Total Assets: (1)(a) + (1)(b) + (1)(c)(vi) + (1)(d) + (1)(e)	\$	12,681,561,318
2. Liabilities		
a. Accounts Payable	\$	4,998,918
b. Retirement Benefits Payable		703,281
c. Salaries and Benefits Payable		2,115,852
d. Investments Payable		84,577
e. Securities Lending Obligations		427,226,320
f. Securities Sold Under Agreement to Repurchase		-
g. Due To Other Funds		2,679,256
h. Total Liabilities: (2)(a) + (2)(b) + (2)(c) + (2)(d) + (2)(e) + (2)(f) + (2)(g)	\$	437,808,204
3. Net Assets Held in Trust for Pension Benefits: (1)(f) - (2)(h)	\$	12,243,753,114

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

D. Total PERF – Statement of Changes in Fiduciary Net Position

1.	Net Assets as of June 30, 2011	\$	12,461,355,909
2.	Revenue (Additions)		
	a. Contributions		
	i. Member Contributions	\$	158,695,936
	ii. Employer Contributions		397,842,387
	iii. Other Contributions		-
	iv. Total Contributions	\$	<u>556,538,323</u>
	b. Investment Income/Loss		
	i. Investment Income/Loss	\$	43,178,869
	ii. Securities Lending Income		3,664,862
	iii. Securities Lending Expenses		(183,579)
	iv. Investment Expenses		<u>(50,612,067)</u>
	v. Net Investment Income	\$	(3,951,915)
	c. Other Additions		
	i. Interfund Transfers	\$	3,341,006
	ii. Miscellaneous Receipts		<u>8,009</u>
	iii. Total Other Additions	\$	3,349,015
	d. Total Revenue (Additions): (2)(a)(iv) + (2)(b)(v) + (2)(c)(iii)	\$	555,935,423
3.	Expenses (Deductions)		
	a. Pension and Disability Benefits	\$	669,181,018
	b. Death, Survivor, and Funeral Benefits		-
	c. Distributions of Contributions and Interest		69,880,200
	d. Interfund Transfers		9,683,936
	e. Pensions Relief Distributions		-
	f. Local Unit Withdrawals		-
	g. Administrative and Project Expenses		<u>24,793,064</u>
	h. Total Expenses (Deductions): (3)(a) + (3)(b) + (3)(c) + (3)(d) + (3)(e) + (3)(f) + (3)(g)	\$	773,538,218
4.	Changes in Net Assets Held in Trust for Pension Benefits: (2)(d) - (3)(h)	\$	(217,602,795)
5.	Net Assets as of June 30, 2012: (1) + (4)	\$	12,243,753,114

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

E. Total PERF – Schedule of Funding Progress ¹

1. Actuarial Valuation Date June 30	2. Actuarial Value of Assets	3. Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	5. Funded Ratio (2) / (3)	6. Current Payroll	7. UAAL as a % of Payroll (4) / (6)
2007	12,220,934,214	12,439,798,183	218,863,969	98.2%	4,385,675,869	5.0%
2008	12,780,116,052	13,103,221,177	323,105,125	97.5%	4,600,353,894	7.0%
2009	12,569,335,911	13,506,280,351	936,944,440	93.1%	4,931,422,940	19.0%
2010	12,357,199,014	14,506,052,201	2,148,853,187	85.2%	4,896,012,580	43.9%
2011	12,000,586,310	14,913,147,293	2,912,560,983	80.5%	4,818,773,680	60.4%
2012	12,088,224,658	15,784,239,911	3,696,015,253	76.6%	4,904,052,414	75.4%

F. State – Schedule of Funding Progress ^{1, 2}

1. Actuarial Valuation Date June 30	2. Actuarial Value of Assets	3. Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	5. AAL Funded Ratio (2) / (3)	6. Current Payroll	7. UAAL as a % of Payroll (4) / (6)
2007	4,588,840,682	4,573,270,312	(15,570,370)	100.3%	1,573,566,285	(1.0%)
2008	4,776,663,937	4,821,023,605	44,359,668	99.1%	1,661,248,319	2.7%
2009	4,548,408,448	4,869,897,611	321,489,163	93.4%	1,749,780,803	18.4%
2010	4,374,384,859	5,248,751,427	874,366,568	83.3%	1,730,479,696	50.5%
2011	4,158,786,069	5,264,131,212	1,105,345,143	79.0%	1,641,685,770	67.3%
2012	4,141,524,168	5,542,414,195	1,400,890,027	74.7%	1,648,023,022	85.0%

G. Political Subdivisions – Schedule of Funding Progress ^{1, 2}

1. Actuarial Valuation Date June 30	2. Actuarial Value of Assets	3. Actuarial Accrued Liability (AAL)	4. Unfunded Actuarial Accrued Liability (UAAL) (3) - (2)	5. AAL Funded Ratio (2) / (3)	6. Current Payroll	7. UAAL as a % of Payroll (4) / (6)
2007	7,632,093,532	7,866,527,871	234,434,339	97.0%	2,812,109,584	8.3%
2008	8,003,452,115	8,282,197,572	278,745,457	96.6%	2,939,105,575	9.5%
2009	8,020,927,463	8,636,382,740	615,455,277	92.9%	3,181,642,137	19.3%
2010	7,982,814,155	9,257,300,774	1,274,486,619	86.2%	3,165,532,884	40.3%
2011	7,841,800,241	9,649,016,081	1,807,215,840	81.3%	3,177,087,910	56.9%
2012	7,946,700,490	10,241,825,716	2,295,125,226	77.6%	3,256,029,392	70.5%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

² As requested by INPRS, one-third (1/3) of the retired / disabled / beneficiary member liability, ASA account balances, and ASA annuities has been allocated to the State and the remaining two-thirds (2/3) to the Political Subdivisions.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

H. Total PERF – Schedule of Employer Contributions ¹

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC <u>(3) / (2)</u>
2007	275,170,690	260,150,203	94.5%
2008	291,397,103	303,876,594	104.3%
2009	316,059,105	323,151,092	102.2%
2010	360,183,300	331,089,590	91.9%
2011	483,842,478	342,778,706	70.8%
2012	509,723,901	397,842,387	78.1%

I. State – Schedule of Employer Contributions ¹

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC <u>(3) / (2)</u>
2007	96,430,158	89,800,501	93.1%
2008	99,134,700	106,867,251	107.8%
2009	107,981,141	111,214,012	103.0%
2010	118,199,909	111,554,875	94.4%
2011	176,289,960	115,232,212	65.4%
2012	183,389,316	138,327,474	75.4%

J. Political Subdivisions – Schedule of Employer Contributions ¹

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Actual Employer Contribution	4. % of ARC <u>(3) / (2)</u>
2007	178,740,532	170,349,702	95.3%
2008	192,262,403	197,009,343	102.5%
2009	208,077,964	211,937,080	101.9%
2010	241,983,391	219,534,715	90.7%
2011	307,552,518	227,546,494	74.0%
2012	326,334,585	259,514,913	79.5%

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

K. State – Development of Net Pension Obligation (NPO) ¹

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (9) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Change in NPO (6) - (7)	9. NPO at Beginning of Year	10. NPO at End of Year (8) + (9)
2010	\$ 118,199,909	\$ (4,579,156)	\$ (5,218,303)	12.1037	\$ 118,839,056	\$ 111,554,875	\$ 7,284,181	\$ (63,160,773)	\$ (55,876,592)
2011	\$ 176,289,960	\$ (3,911,361)	\$ (4,502,909)	12.4090	\$ 176,881,508	\$ 115,232,212	\$ 61,649,296	\$ (55,876,592)	\$ 5,772,704
2012	\$ 183,389,316	\$ 404,089	\$ 465,203	12.4090	\$ 183,328,202	\$ 138,327,474	\$ 45,000,728	\$ 5,772,704	\$ 50,773,432

L. Political Subdivisions – Development of Net Pension Obligation (NPO) ¹

1. Plan Year Ending June 30	2. Annual Required Contribution (ARC)	3. Interest on NPO at Discount Rate	4. ARC Adjustment (10) / (5)	5. Amortization Factor	6. Net Pension Cost (NPC) (2) + (3) - (4)	7. Actual Employer Contribution	8. Adjustment for Withdrawn and Merged Units ²	9. Change in NPO (6) - (7) + (8)	10. NPO at Beginning of Year	11. NPO at End of Year (9) + (10)
2010	\$ 241,983,391	\$ (7,933,405)	\$ (9,040,729)	12.1037	\$ 243,090,715	\$ 219,534,715	\$ 1,440,767	\$ 24,996,767	\$ (109,426,271)	(84,429,504)
2011	307,552,518	(5,910,065)	(6,803,893)	12.4090	308,446,346	227,546,494	(321,397)	80,578,455	(84,429,504)	(3,851,049)
2012	326,334,585	(269,573)	(310,343)	12.4090	326,375,355	259,514,913	3,789,810	70,650,252	(3,851,049)	66,799,203

¹ NPO at the beginning of the 2010 plan year was determined by the prior actuary.

² Individual Political Subdivisions can withdraw from the plan or merge with other Political Subdivisions which prevents the NPO from reconciling year over year.

SECTION III - ACCOUNTING

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB #25 AND #27 (CONTINUED)

M. State – Three-Year Trend Information

1. Plan Year Ending June 30	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC <u>(3) / (2)</u>
2010	118,839,056	111,554,875	93.9%
2011	176,881,508	115,232,212	65.1%
2012	183,328,202	138,327,474	75.5%

N. Political Subdivisions – Three-Year Trend Information

1. Plan Year Ending June 30	2. Net Pension Cost (NPC)	3. Actual Employer Contribution	4. % of NPC <u>(3) / (2)</u>
2010	243,090,715	219,534,715	90.3%
2011	308,446,346	227,546,494	73.8%
2012	326,375,355	259,514,913	79.5%

SECTION III - ACCOUNTING

O. Solvency Test ¹

Portion of Actuarial Liability Provided by Assets

1. As of June 30	2. ASA Balances	3. Retired and Beneficiaries	4. Non-Retired Members (Employer Financed Portion)	5. Total Actuarial Accrued Liabilities	6. Actuarial Value of Assets
2007	2,707,176,269 100.0%	4,007,389,159 100.0%	5,725,232,755 96.2%	12,439,798,183 98.2%	12,220,934,214
2008	2,694,331,410 100.0%	4,227,365,567 100.0%	6,181,524,200 94.8%	13,103,221,177 97.5%	12,780,116,052
2009	2,669,318,240 100.0%	4,611,256,619 100.0%	6,225,705,492 85.0%	13,506,280,351 93.1%	12,569,335,911
2010	2,780,570,388 100.0%	4,931,592,130 100.0%	6,793,889,683 68.4%	14,506,052,201 85.2%	12,357,199,014
2011	2,805,023,137 100.0%	5,370,786,260 100.0%	6,737,337,896 56.8%	14,913,147,293 80.5%	12,000,586,310
2012	2,749,448,762 100.0%	5,895,779,209 100.0%	7,139,011,940 48.2%	15,784,239,911 76.6%	12,088,224,658

¹ Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION IV - CENSUS DATA

CENSUS DATA

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SECTION IV - CENSUS DATA

A. Reconciliation of Participant Data ¹

	Inactive Non-Vested		Inactive Deceased ²	Disabled	Retired	Beneficiary	Total	
	Actives	ASA Balance						Inactive Vested
Total as of June 30, 2011	147,933	70,446	20,634	1,659	4,655	57,155	8,570	311,052
New Entrants	13,925	-	-	-	-	-	-	13,925
Rehires	1,655	(1,313)	(342)	-	-	-	-	-
Non-Vested Terminations	(8,278)	8,287	(9)	-	-	-	-	-
Vested Terminations	(2,392)	(317)	2,710	(1)	-	-	-	-
Retirements	(3,276)	(52)	(927)	0	(4)	4,260	(1)	-
Disablements	(188)	(22)	(80)	0	319	(29)	0	-
Death with Beneficiary	(51)	(2)	(10)	(48)	(78)	(495)	684	-
Death - Entitled to ASA and/or Pension Benefits	(138)	(144)	(20)	302	-	-	-	-
Death without Beneficiary	(6)	-	-	-	(135)	(1,526)	(469)	(2,136)
Refunds	(3,665)	(30,078)	(769)	(1,430)	-	(6)	(3)	(35,951)
Data Adjustments	-	587	13	-	29	35	31	695
Total as of June 30, 2012	145,519	47,392	21,200	482	4,786	59,394	8,812	287,585

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² Inactive deceased counts include 223 members with vested benefits.

SECTION IV - CENSUS DATA

B. Census Information¹

	June 30, 2011	June 30, 2012
1. Active		
a. Number		
i. State	45,912	45,156
ii. Political Subdivisions	102,021	100,363
iii. Total	147,933	145,519
b. Average Age	47.6	47.6
c. Average Years of Service	11.4	11.5
d. Covered Payroll of Actives		
i. State	1,641,685,770	1,648,023,022
ii. Political Subdivisions	3,177,087,910	3,256,029,392
iii. Total	\$ 4,818,773,680	\$ 4,904,052,414
2. Inactive - Vested		
a. Number	20,933	21,423
b. Average Age	52.7	52.7
c. Average Years of Service	11.8	11.9
3. Inactive - Non-Vested		
a. Number	71,806	47,651
4. Retiree/Beneficiary/Disabled		
a. Number	70,380	72,992
b. Average Age	72.5	72.5
c. Annual Benefits Payable		
i. Pension	455,230,274	483,551,145
ii. ASA Annuities	84,516,826	93,126,384
iii. Total	\$ 539,747,100	\$ 576,677,529

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

SECTION IV - CENSUS DATA

C. Schedule of Active Member Valuation Data ^{1,2}

1. As of June 30	2. Active Members	3. Annual Payroll (\$ in Thousands)	4. Average Pay (3) / (2)	5. Annual Percent Increase
2005	141,428	\$ 4,318,450	30,535	3.5%
2006	140,563	4,322,180	30,749	0.7%
2007	138,863	4,385,676	31,583	2.7%
2008	140,146	4,600,354	32,825	3.9%
2009	147,792	4,931,423	33,367	1.7%
2010	149,877	4,896,013	32,667	(2.1%)
2011	147,933	4,818,774	32,574	(0.3%)
2012	145,519	4,904,052	33,700	3.5%

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² Valuation results prior to June 30, 2010 were calculated by the prior actuary.

SECTION IV - CENSUS DATA

D. Schedule of Retirees, Beneficiaries, and Disabled Members^{1,2,3}

(\$ in Thousands)

1.	2. Added		3. Annual Allowances		4. Removed		5. Annual Allowances		6. End of Year ⁴		7.	8.	9.
Fiscal Year Ending	Number	(\$ in Thousands)	Number	(\$ in Thousands)	Number	(\$ in Thousands)	Number	(\$ in Thousands)	Number	(\$ in Thousands)	% Increase in Annual Allowances	Average Annual Allowances	
June 30													
2005	4,499	\$ 35,845	1,732	\$ 8,358	57,121	\$ 354,285	8.8%	\$ 6,202					
2006	3,403	29,572	2,241	14,440	58,283	377,611	6.6%	6,479					
2007	4,633	42,653	2,584	15,229	60,332	412,745	9.3%	6,841					
2008	5,376	43,915	3,284	18,022	62,424	436,749	5.8%	6,996					
2009	6,047	55,726	3,372	19,103	65,099	477,553	9.3%	7,336					
2010	4,827	39,214	2,760	19,022	67,166	498,199	4.3%	7,417					
2011	5,402	56,185	2,188	11,698	70,380	539,747	8.3%	7,669					
2012	4,751	49,766	2,139	12,540	72,992	576,678	6.8%	7,901					

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

² Valuation results prior to June 30, 2010 were calculated by the prior actuary.

³ Annual Allowances include pension and ASA annuity benefits.

⁴ End of year annual allowances are not equal to the prior end of year annual allowances plus additions and less removals because of reductions for beneficiary benefits, data changes, and cost-of-living increases.

SECTION IV - CENSUS DATA

E. Distribution of Active Members by Age and Service ¹

Attained Age	Distribution of Active Members by Age and Service as of June 30, 2012										
	Under 1 year	1 to 4 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	30 to 34 years	35 to 39 years	Over 40 years	Total
<25	2,232	2,054	66	1	1						4,354
25-29	2,360	6,180	2,238	46							10,824
30-34	1,410	4,655	4,458	1,397	47						11,967
35-39	1,176	3,809	3,919	2,874	938	41	2				12,759
40-44	1,142	4,128	4,421	3,172	2,392	1,025	85	11	1		16,377
45-49	999	3,878	4,791	3,798	2,633	2,310	1,270	103	3	2	19,787
50-54	817	3,373	4,662	4,532	3,603	2,712	2,322	1,725	176	3	23,925
55-59	700	2,803	3,811	3,968	3,497	3,151	2,201	1,841	1,045	61	23,078
60-64	364	1,826	2,657	2,564	2,146	2,109	1,580	1,058	862	332	15,498
65-69	143	643	1,140	881	689	605	435	277	186	127	5,126
70&Up	43	282	475	389	286	155	71	50	47	26	1,824
Total	11,386	33,631	32,638	23,622	16,232	12,108	7,966	5,065	2,320	551	145,519

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

SECTION IV - CENSUS DATA

F. Distribution of Inactive Vested Members by Age and Service¹

Attained Age	Distribution of Inactive Vested Members by Age and Service as of June 30, 2012							Total
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	
<25			2					2
25-29			2					2
30-34			342	5				347
35-39			1,119	282	9			1,410
40-44			1,445	929	253	6	2	2,635
45-49			1,722	843	512	127	14	3,218
50-54			2,133	1,273	625	321	117	4,469
55-59			2,267	1,390	734	344	197	4,932
60-64			2,157	679	358	157	164	3,515
65-69			362	158	87	35	57	699
70&Up			85	42	30	15	22	194
Total			11,636	5,601	2,608	1,005	573	21,423

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

SECTION IV - CENSUS DATA

G. Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired ¹

Attained Age	Distribution of Retired Members, Beneficiaries, and Disabled Members by Age and Number of Years Retired as of June 30, 2012							
	Under 5 years	5 to 9 years	10 to 14 years	15 to 19 years	20 to 24 years	25 to 29 years	Over 30 years	Total
<40	16	10	1					27
40-44	35	35	11		1			82
45-49	76	78	47	20	2			223
50-54	606	174	99	60	21	2		962
55-59	2,570	942	229	108	51	1		3,901
60-64	6,303	2,665	729	197	84	10	7	9,995
65-69	7,787	4,738	1,702	631	105	18	11	14,992
70-74	2,833	5,794	3,383	1,296	407	27	26	13,766
75-79	564	2,156	4,271	2,823	790	239	36	10,879
80-84	168	563	1,263	3,901	1,936	470	219	8,520
85-89	55	150	358	930	2,848	1,154	362	5,857
90&Up	9	44	77	184	537	1,695	1,242	3,788
Total	21,022	17,349	12,170	10,150	6,782	3,616	1,903	72,992

¹ Headcounts reflect the record counts used in the valuation, which may include duplicate records for members (e.g. members with multiple periods of service).

SECTION V - CENSUS DATA

H. Schedule of Benefit Recipients by Type of Benefit Option

Number of Benefit Recipients by Benefit Option as of June 30, 2012

Amount of Monthly Benefit	Five Year Guaranteed Beneficiary	Benefit with No Guarantee	Joint with Full Survivor Benefits	Joint with Two-Thirds Survivor Benefits	Joint with One-Half Survivor Benefits	Integration with Social Security	Five Year Guaranteed Beneficiary Benefit with ASA Cash Refund	Benefit with No Guarantee	Survivors	Disabled	Total
	(Option 10)	(Option 20)	(Option 30)	(Option 40)	(Option 50)	(Option 61)	(Option 71)	(Option 80)			
\$ 1 - 500	11,408	7,352	5,990	631	1,488	289	968	0	5,979	3,097	37,202
501 - 1,000	5,539	5,861	3,586	786	1,621	179	910	1	2,126	1,284	21,893
1,001 - 1,500	1,645	2,517	1,753	431	810	63	397	0	498	317	8,431
1,501 - 2,000	544	1,013	680	246	323	42	161	0	131	71	3,211
2,001 - 3,000	254	587	401	168	229	38	125	0	67	17	1,886
over 3,000	43	129	70	42	44	8	22	0	11	0	369
Total	19,433	17,459	12,480	2,304	4,515	619	2,583	1	8,812	4,786	72,992

I. Schedule of Average Benefit Payments as of June 30, 2012 ¹

	Years of Credited Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
Average Monthly Defined Benefit	\$ 103	\$ 170	\$ 265	\$ 363	\$ 504	\$ 701	\$ 1,139	\$ 555
Average Monthly ASA Annuity	\$ 37	\$ 43	\$ 89	\$ 116	\$ 171	\$ 233	\$ 407	\$ 188
Average Final Average Salary	\$ 26,362	\$ 21,011	\$ 21,993	\$ 24,513	\$ 26,534	\$ 29,347	\$ 36,331	\$ 27,306
Number of Benefit Recipients	516	2,007	12,369	19,361	15,258	10,589	12,892	72,992

¹ For some members average salary at retirement and years of credited service was not available. The average salary for each group excludes these members. Retired members with credited service information that is missing are counted in the "10-14" group.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

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SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

The assumptions used in the valuation were selected and approved by the INPRS Board of Trustees. The demographic assumptions are reviewed every five years through a study of actual experience. In this way, the actuary provides guidance to the Board in selecting the assumptions. The actuary and other economic and investment professionals also provide advice to the Board for selecting the economic assumptions. In our opinion, the assumptions are reasonable for purposes of this valuation.

Interest Rate / Investment Return	6.75% (net of administrative and investment expenses)
Interest on Member ASA Balances	3.0% per year
Future Salary Increases	Based on 2005-2010 experience. Illustrative rates shown below:

<u>Age</u>	<u>Inflation</u>	<u>Productivity, Merit, and Promotion</u>	<u>Total Individual Salary growth</u>
<31	3.0%	1.5%	4.5%
31-45	3.0%	1.0%	4.0%
46-60	3.0%	0.5%	3.5%
>= 61	3.0%	0.25%	3.25%

Inflation	3.0% per year
Cost of Living Increases	1.0% per year in retirement
Mortality (Healthy and Disabled)	2013 IRS Static Mortality projected five (5) years with Scale AA

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Disability

Based on 2000 - 2005 experience for males and 1995 - 2000 experience for females. Recent experience has been consistent. Illustrative rates shown below:

Age	Male	Female
20	0.0067%	0.0050%
30	0.0208%	0.0158%
40	0.0646%	0.0496%
50	0.2005%	0.1556%
60	0.6220%	0.4881%
70	0.1000%	0.1000%
80	0.0000%	0.0000%

Termination

Select and ultimate tables based on 2005-2010 experience. Illustrative rates shown below:

State (Male)

Earnings < \$20,000

Age	Service					
	0	1	2	3	4	5+
20	57%	40%	23%	19%	17%	13%
30	56%	34%	21%	17%	15%	11%
40	55%	29%	18%	15%	13%	9%
50	55%	24%	15%	13%	11%	6%
60+	55%	20%	12%	10%	9%	4%

State (Male)

Earnings >= \$20,000

Age	Service					
	0	1	2	3	4	5+
20	43%	26%	13%	10%	9%	7%
30	39%	20%	12%	9%	8%	6%
40	36%	16%	11%	8%	7%	5%
50	36%	14%	9%	7%	7%	4%
60+	37%	13%	8%	6%	6%	3%

State (Female)

Earnings < \$20,000

Age	Service					
	0	1	2	3	4	5+
20	57%	40%	26%	26%	21%	16%
30	54%	36%	23%	23%	19%	14%
40	54%	32%	20%	19%	16%	11%
50	54%	29%	17%	15%	13%	8%
60+	54%	25%	15%	11%	11%	6%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Termination (continued)

State (Female)		Service					
Earnings >= \$20,000		0	1	2	3	4	5+
Age							
20		43%	25%	14%	14%	11%	8%
30		36%	22%	13%	12%	10%	7%
40		35%	19%	12%	10%	9%	6%
50		35%	17%	10%	9%	7%	5%
60+		36%	16%	9%	7%	6%	4%

Political Subdivisions (Male)		Service					
Earnings < \$20,000		0	1	2	3	4	5+
Age							
20		33%	25%	13%	12%	10%	7%
30		29%	21%	11%	10%	9%	6%
40		28%	17%	10%	8%	8%	5%
50		26%	14%	8%	7%	6%	4%
60+		25%	11%	6%	5%	5%	3%

Political Subdivisions (Male)		Service					
Earnings >= \$20,000		0	1	2	3	4	5+
Age							
20		30%	19%	7%	7%	5%	4%
30		22%	14%	7%	6%	5%	4%
40		22%	11%	6%	5%	4%	3%
50		21%	10%	5%	5%	4%	3%
60+		20%	9%	4%	4%	3%	2%

Political Subdivisions (Female)		Service					
Earnings < \$20,000		0	1	2	3	4	5+
Age							
20		36%	30%	16%	12%	11%	8%
30		32%	25%	14%	11%	10%	7%
40		32%	21%	12%	10%	9%	5%
50		31%	18%	9%	8%	7%	4%
60+		30%	14%	7%	6%	5%	3%

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

Termination (continued)

Political Subdivisions (Female)
Earnings >= \$20,000

Age	Service					
	0	1	2	3	4	5+
20	31%	21%	10%	8%	7%	4%
30	24%	16%	9%	7%	6%	4%
40	23%	14%	8%	6%	5%	3%
50	23%	12%	7%	6%	5%	3%
60+	23%	11%	6%	5%	4%	2%

Retirement

Based on PERF experience 2005-2010. Illustrative rates shown below:

Age	Service				
	10	15	20	30	31 +
50	0%	4%	4%	4%	4%
55	0%	7%	7%	12%	7%
60	0%	10%	10%	10%	10%
65	30%	30%	30%	30%	30%
70	25%	25%	25%	25%	25%
75+	100%	100%	100%	100%	100%

Decrement Timing

Decrements are assumed to occur at the beginning of the year.

Spouse/Beneficiary

75% of male members and 60% of female members are assumed to be married and or to have a dependent beneficiary. Male members are assumed to be three (3) years older than their spouses and female members are assumed to be two (2) years younger than their spouses.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions (continued)

ASA Withdrawal For active members who are expected to terminate prior to becoming vested (before 10 years of service), 100% of such members are assumed to withdraw their ASA balance immediately upon termination. For all other active members, 50% of such members are assumed to withdraw their ASA balance immediately upon termination and 50% of such members are assumed to annuitize their ASA balance upon commencement of their employer funded annuity benefit.

For inactive members who are not vested, 100% of such members are assumed to withdraw their ASA balance immediately. For inactive members who are vested, 50% of such members are assumed to withdraw their ASA balance immediately and 50% of such members are assumed to annuitize upon their ASA balance commencement of their employer funded annuity benefit.

The actual assumptions used to convert ASA balances to annuity forms of payment are different than the valuation assumptions. This results in the liability being slightly greater than the ASA balance for members assumed to annuitize their ASA.

Data Assumptions Actives and inactives with no date of birth are assumed to be age 48 and 46, respectively. Spouse gender is assumed to be the opposite gender of the member.

Retirees and disabled members that are not married and do not have a retirement option listed are assumed to elect a 5-year certain and life annuity. Retirees and disabled members that are married and do not have a retirement option listed are assumed to be receiving a 100% joint and survivor annuity. Beneficiaries that do not have a retirement option listed are assumed to receive monthly payments for life.

Actives and inactives with a date of death who have not received a distribution of their ASA or commenced a pension annuity are included in the valuation as follows (provided by INPRS):

- For non-vested members, the ASA Balance is included in the valuation
- For vested members, the ASA Balance is included in the valuation if one of the following is true:
 - Date of death is more than 3 years before the valuation date
 - Age of the member is greater than or equal to 65 with less than 10 years of creditable service
 - Age of the member is less than or equal to 65 with less than 15 years of creditable service
- If neither of the items listed above are met, the ASA Balance and estimated pension annuity are included in the valuation.

Changes in Assumptions

For the June 30, 2012 valuation, the Board approved the following assumption changes:

- The interest rate assumption was decreased from 7.0% to 6.75%.
- The interest rate on member ASA balances was decreased from 7.0% to 3.0%.
- The mortality table was changed from the 2008 IRS Static Mortality projected five (5) years with Scale AA to the 2013 IRS Static Mortality projected five (5) years with Scale AA.

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

The actuarial methods used in this valuation were selected and approved by the Board. In general, the methods provide orderly funding of all benefits being accrued, as well as unfunded past-service benefit liabilities, over a period of thirty years. However, the smoothing methods employed in determining the Actuarial Value of Assets may accelerate or lengthen the effective funding period, depending on whether gains or losses are experienced. In our opinion, the actuarial methods are reasonable for the purposes of this valuation.

1. Actuarial Cost Method

The actuarial cost method is Entry Age Normal - Level Percent of Payroll.

The normal cost is calculated separately for each active member and is equal to the level percentage of payroll needed as an annual contribution from entry age to retirement age to fund projected benefits. The actuarial accrued liability on any valuation date is the accumulated value of such normal costs from entry age to the valuation date.

Gains and losses occurring from census experience different than assumed, assumption changes, and benefit changes are amortized over a 30-year period with level payments each year. A new gain or loss base is established each year based on the additional gain or loss during that year and that base is amortized over a new 30-year period. The purpose of the method is to give a smooth progression of the costs from year to year and, at the same time, provide for an orderly funding of the unfunded liabilities.

2. Asset Valuation Method

Actuarial Value of Assets is equal to a four-year smoothing of gains and losses on the Market Value of Assets subject to a 20% corridor.

3. Employer Funding Contribution Rate

The contribution rate approved for the State is equal to the Actuarially Calculated Rate for the State, rounded up to the next tenth of a percent. The Political Subdivision rates are now based on a composite rate migration, whereby the rate for each Political Subdivision is based on an increase of 1.5% over the previous year's Actual Rate, up to a maximum of 11.2% (i.e. the composite rate).

SECTION V - ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods (continued)

4. Method for Allocation of Actuarial Accrued Liability and Normal Cost

The Actuarial Accrued Liability ("AAL") for members with multiple current and/or historical employers is allocated pro rata to each respective employer based on the service the member accrued at each employer. In the event service at each employer is not included in the data, the AAL is allocated evenly amongst all respective employers.

The Normal Cost for members with multiple current employers is allocated to each respective employer based on the salary the member earned at each employer. In the event salary at each employer is not included in the data, the Normal Cost is allocated evenly amongst all respective current employers.

5. Changes in Actuarial Methods

There have been no changes in the actuarial methods since the June 30, 2011 valuation.

SECTION VI - SUMMARY OF PLAN PROVISIONS

SUMMARY OF PLAN PROVISIONS

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SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions

The benefit provisions for PERF are set forth in IC 5-10.2 and 5-10.3. A summary of those defined pension benefit provisions is presented below:

Participation All full time employees of the State of Indiana and all full time employees of Political Subdivisions which have adopted the plan become members of PERF upon date of hire.

Eligibility for Defined Pension Benefits

- a. Normal Retirement Earliest of:
 - Age 65 with 10 or more years of vesting service
 - Age 60 with 15 or more years of vesting service
 - Age 55 with sum of age and vesting service equal to 85 or more

- b. Early Retirement Age 50 with 15 or more years of vesting service

- c. Late Retirement Subject to continued employment after normal retirement

- d. Disability Retirement 5 or more years of vesting service and qualified for Social Security disability benefits or federal Civil Service disability benefits

- e. Termination 10 or more years of vesting service and no longer active (i.e. vested inactive)

- f. Pre-Retirement Death 15 or more years of vesting service if death occurs in service. If death occurs after separating from service, age 50 with 15 or more years of vesting service

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

Amount of Benefits

- a. Normal Retirement The normal retirement benefit is a pension payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings¹ multiplied by years of creditable service earned.

- b. Early Retirement The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A member may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

- c. Late Retirement The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.

- d. Disability Retirement The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.

- e. Termination The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at age 65. If the member has 15 or more years of creditable service, then the member may elect to receive a reduced early retirement benefit prior to age 65.

- f. Pre-Retirement Death The spouse or dependent beneficiary is entitled to receive the monthly life benefit under the assumption that the member retired on the later of age 50 or the date before the date of death and elected the joint and full survivor option.

¹ Average monthly earnings is the monthly average of earnings during 20 quarters (in groups of 4 consecutive contribution quarters) preceding retirement that produce the highest such average. Earnings include basic salary, the member's 3% mandatory contribution paid by the employer, the member's salary reduction agreement under Section 125, 430(b), or 457 of the Internal Revenue Code, and up to \$2,000 of additional compensation received from the employer in anticipation of the member's termination or retirement.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

Member Contributions

Each member is required to contribute to an Annuity Savings Account at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest based on the investment elections of each member until such time as they are refunded or used to provide the annuity benefit at retirement.

The benefits provided by the Annuity Savings Account are in addition to the benefits provided by employer contributions.

Optional Forms of Payment

- a. 5-Year Guaranteed Beneficiary Benefit (Option 10) Member will receive a monthly benefit for the rest of their life. If the member dies before receiving benefits for 5 years, the beneficiary will receive that monthly benefit for the remainder of those 5 years or a lump sum distribution equal to the present value of those payments. After 5 years, there are no payments available to the beneficiary.
- b. Benefit with No Guarantee (Option 20) Member will receive a monthly benefit for life, but there are no monthly payments to anyone after death. However, the balance of the Annuity Savings Account will be distributed to the beneficiary or estate if it is larger than the payments previously made to the member.
- c. Joint with Full Survivor Benefits (Option 30) Member will be paid a monthly benefit for life. After death, the same monthly benefit will be paid to the beneficiary for their lifetime.
- d. Joint with Two-Thirds Survivor Benefits (Option 40) Member will be paid a monthly benefit for life. After death, two-thirds (2/3) of the benefit will be paid to the beneficiary for their lifetime.
- e. Joint with One-Half Survivor Benefits (Option 50) Member will be paid a monthly benefit for life. After death, one-half (1/2) of the benefit will be paid to the beneficiary for their lifetime.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

Optional Forms of Payment (Continued)

- f. Integration with Social Security (Option 61) A member who retires between ages 50 and 62 may integrate the PERF monthly pension benefit with the member's estimated Social Security benefits. This does not affect the amount of the benefit received from the Social Security Administration.

Before age 62, the member's benefits will equal the sum of the member's Social Security estimate, multiplied by actuarial factors, and the member's early retirement benefit. This will result in the member receiving a larger monthly benefit payment before age 62. After age 62, the member's benefit will equal the difference between the member's Social Security estimate, multiplied by actuarial factors, and the member's pre-62 monthly pension benefit. Depending upon the member's estimated Social Security disbursement, benefit payments may be greatly reduced or terminated at age 62.

- g. 5-Year Guaranteed Beneficiary Benefit with ASA Cash Refund (Option 71) In order to select this option, the member must choose to combine at least a portion of their ASA with their lifetime monthly pension benefit. If selected, the member will receive a monthly benefit for the rest of their life. If the member dies before receiving payments for 5 years, the beneficiary will receive the pension portion of their monthly benefit for the remainder of those 5 years or a lump sum equal to the present value of those remaining payments. Also, upon death (whether death occurs before or after receiving 5 years of benefits), the beneficiary may receive any remaining balance of the Annuity Savings Account.

Annuity Savings Account ("ASA") Payment Forms

- a. Leave ASA Invested with PERF Members may choose to leave their ASA invested with PERF. According to IRS regulations, the member must begin distribution at age 70 1/2. Until the member elects to receive funds, they will remain invested according to member direction.
- b. Combine ASA with Lifetime Pension Benefit The member may choose to receive, as part of their monthly benefit, the total amount of their ASA. The member will not receive any other distribution from the ASA other than this monthly payment.

SECTION VI - SUMMARY OF PLAN PROVISIONS

Summary of Plan Provisions (continued)

Annuity Savings Account ("ASA") Payment Forms (continued)

- c. Withdraw Entire ASA The member withdraws their entire ASA by means of either a direct rollover, complete withdrawal, or partial rollover to a qualified plan for the Taxable Portion of their ASA and, if it applicable, one of these choices for the 1986 Tax Basis Portion.

- d. Withdraw 1986 Tax Basis Portion of ASA and Combine Taxable Portion with Pension Benefit The member withdraws the non-taxable (1986 Tax Basis) portion of their ASA in the form of a direct rollover, a complete distribution, or a partial rollover to a qualified plan, and then receives the balance of the account as a part of their monthly payment.

Cost-of-Living Adjustments The monthly pension benefits for members in pay status are increased periodically to preserve purchasing power that is diminished due to inflation. Such increases are not guaranteed by Statute and have historically been provided on an "ad hoc" basis.

Changes in Provisions A "13th check" was paid to each member in pay status during September 2012. The amount of the 13th check varied based on the years of creditable service the member had earned prior to retirement.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms

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SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms

Actual Rate	For valuations prior to June 30, 2011, the contribution rate expressed as a percentage of covered payroll on an annual basis (not less than 0.0%) that is the result of applying applicable smoothing rules to the prior year Actual Rate and current year Actuarially Calculated Rate. Beginning with the June 30, 2011 valuation, the Board resolved to discontinue use of the smoothing rules for establishing contribution rates/amounts.
Actuarial Accrued Liability (AAL)	That portion, as determined by a particular Actuarial Cost Method, of the Present Value of Future Benefits (PVFB) and expenses which is not provided for by future Normal Costs. Generally this means the portion of the PVFB attributable to past service.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
Actuarial Cost Method	A procedure for determining an actuarially equivalent allocation of the Present Value of Future Benefits to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
Actuarially Equivalent	A method of making the actuarial present value of two series of payments equal as of a given date using the same assumptions.
Actuarial Gain/(Loss)	The difference between actual unfunded Actuarial Accrued Liability and anticipated unfunded Actuarial Accrued Liability — during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.
Actuarial Present Value	The single amount now that is equal to a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms (continued)

Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Actuarially Calculated Rate	The precise actuarial contribution rate expressed as a percentage of covered payroll that is determined by summing the Normal Cost and amortization of unfunded Actuarial Accrued Liability and dividing by anticipated payroll.
Amortization	The payment of a present value financial obligation on an installment basis over a future number of years.
Annual Required Contribution of the Employer (ARC)	The employer's periodic required contributions to a defined benefit pension plan, calculated in accordance with the plan provisions, actuarial assumptions, actuarial cost method and other actuarial method prescribed by Governmental Accounting Standards No. 25 and No. 27.
Creditable Service	Service credited under the system that was rendered before the date of the actuarial valuation.
Fresh Start	Re-starting amortization of the UAAL by eliminating existing bases and starting with a single amortization base equal to the current UAAL.
Funding Policy	The program for the amounts and timing of contributions to be made by plan members, employer, and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by a pension plan.
Level Dollar Amortization Method	The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.
Normal Cost (NC)	That portion of the present value of future benefits which is allocated to a valuation year by the Actuarial Cost Method. The normal cost is specific to the cost method used.

SECTION VII - DEFINITIONS OF TECHNICAL TERMS

Definitions of Technical Terms (continued)

Plan Assets	Resources, usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, or equivalent arrangement, in which (a) employer contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer(s) or plan administrator, for the payment of benefits in accordance with the terms of the plan.
Plan Members	The individuals covered by the terms of a pension plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.
Present Value of Future Benefits (PVFB)	Projected benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members upon retirement) as a result of their service through the valuation date and their expected future service. The actuarial present value of projected future benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment (taking into account mortality, turnover, probability of participating in plan retirement, etc.). Alternatively, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay the projected benefits when due.